COMPANY RESULTS

Zetrix AI (Zetrix MK)

2Q25: Ambitious Blockchain Blueprints

Zetrix delivered another stellar quarter with a core net profit of RM182m (+22% qoq), mainly reflecting continuous earnings growth within the blockchain segment. The upbeat earnings were also complemented by the e-government segment's steady momentum. With more applications such as Nur AI, digital bank guarantees, Ztrade and My Digital ID on the Zetrix blockchain, we foresee further elevation of Zetrix's profitability in 2H25. Maintain BUY and target price of RM1.52.

2Q25 RESULTS

Year to 30 Dec	2Q25 (RMm)	qoq % chg	yoy % chg	1H25 (RMm)	yoy % chg
Revenue	**307.9**	**2.6**	**27.1**	**607.9**	**28.0**
EBITDA	234.9	3.9	20.1	460.8	21.2
EBIT	221.0	3.0	21.5	435.5	23.5
Interest Expense	(17.6)	0.3	3.3	(35.2)	11.9
Pre-tax profit	**198.8**	**9.5**	**19.8**	**380.4**	**17.9**
Tax	(0.5)	1575.0	(24.5)	(0.5)	(58.1)
Core net profit	**204.3**	**3.5**	**23.5**	**401.6**	**25.0**
		+/- ppt	**+/- ppt**		**+/- ppt**
EBIT Margin (%)	71.8	0.3	-3.3	71.6	(2.6)
PBT Margin (%)	64.6	4.0	-3.9	62.6	(5.4)
Net Profit Margin (%)	66.3	0.6	-1.9	66.1	(1.6)

Source: MyEG, UOB Kay Hian

RESULTS

- **Above expectations.** Zetrix's 2Q25 core net profit came in at RM204m (+4% qoq, +24% yoy) on revenue of RM308m (+3% qoq, +27% yoy). 1H25 results exceeded street's expectations, accounting for 56% and 54% of our and consensus' full-year forecasts respectively.
- **Top-line and bottom line improved qoq on the backs of stronger business volume and Zetrix contributions.** 2Q25 revenue rose 2.6% qoq to RM308m due to stronger performances from blockchain segments, while the immigration and road transport segment remains stable. We surmised that Zetrix's blockchain segment contributed around RM151m in revenue in 2Q25 (49% of total revenue), with the bulk of it arising from token sales (50%). Zetrix's net profit also surged 3.5% qoq alongside a slight margin expansion of 0.6ppt.
- **Declared 0.25 sen interim DPS in 2Q25,** representing a 0.3% yield (2Q24: 0.25 sen interim DPS).

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	774	1,017	1,199	1,290	1,365
EBITDA	586	806	980	1,111	1,211
Operating profit	524	751	883	963	1,019
Net profit (rep./act.)	484	680	806	884	941
Net profit (adj.)	484	680	806	884	941
EPS (sen)	6.5	9.2	10.9	11.9	12.7
PE (x)	13.8	9.8	8.2	7.5	7.1
P/B (x)	3.0	2.3	1.9	1.6	1.4
EV/EBITDA (x)	13.0	9.5	7.7	6.8	6.2
Dividend yield (%)	2.2	3.0	3.6	4.0	4.3
Net margin (%)	62.5	66.9	67.2	68.6	68.9
Net debt/(cash) to equity (%)	34.4	31.2	19.9	14.9	8.5
Interest cover (x)	14.7	12.1	13.4	15.1	16.5
ROE (%)	23.7	26.8	25.7	23.7	21.6
Consensus net profit (RM m)	-	-	719.0	781.0	856.0
UOBKH/Consensus (x)	-	-	1.12	1.13	1.09

Source: My EG Services, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM0.895
Target Price	RM1.52
Upside	+69.8%
(Previous TP	*RM1.46)*

COMPANY DESCRIPTION

Zetrix AI provides e-services between the Malaysian government and its citizens and businesses. Services include road transport segment, immigration segment, and healthcare segment.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	ZETRIX MK
Shares issued (m):	7,691.7
Market cap (RMm):	6,884.1
Market cap (US$m):	1,628.6
3-mth avg daily t'over (US$m):	11.6

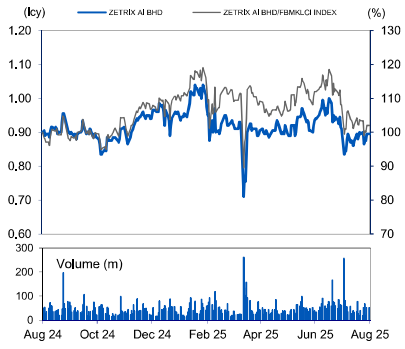
Price Performance (%)

52-week high/low RM1.06/RM0.68

1mth	3mth	6mth	1yr	YTD
(2.2)	(2.7)	(13.9)	0.6	(6.8)

Major Shareholders	**%**
Wong Thean Soon	13.60
Asian Internet Holdings	13.46
Kumpulan Wang Persaraan Diperbadankan	4.92
FY25 NAV/Share (RM)	0.46
FY25 Net Debt/Share (RM)	0.09

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

- **High Court granted leave to proceed with judicial review for recent Bursa reprimand.** To recall, Zetrix was publicly reprimanded by Bursa Malaysia for breaching main market listing requirements earlier in July, with seven directors fined RM150,000 each (RM100,000 for the announcement breach; RM50,000 for the directive breach). This is over the alleged misleading announcements in 2023 regarding Zetrix's extension of an online service provider for the Immigration Department. Nevertheless, management clarified that this incident has no impact on existing concessions and businesses, and the group has been granted leave to proceed with the judicial review against this penalty.
- **Officially launched NurAI, the first shariah LLM.** Zetrix officially launched NurAi earlier this month. NurAI is a shariah conversational chatbot and artificial intelligence (AI) powered assistant Large Language Model (LLM) which will generate text in conversations and perform various text-based tasks, carefully crafted to align with Islamic teachings and values. While approximately 2b or 25-28% of the global population are Muslim, NurAI has huge addressable market potential. Amid the commercial launching, NurAI may be offered to individual or corporate users on a subscription basis with different packages.
- **My Digital ID entering use-case stages, awaiting official launch.** Locally, Zetrix has been developing the MY Digital ID Superapp with MIMOS. MY Digital ID Superapp integrates databases from multiple government agencies and provides Single Sign On (SSO) login for identity and credentials verifications. Some of these government applications include MySejahtera, MyJPJ, and MyHRMIS. Zetrix will monetise this project through one-off registration fees and recurring income via subscription modules for any commercial entity using MY digital ID as single-login user ID solutions in the future.
- **Ztrade services with China customs growing well.** To recall, Zetrix officially launched its cross-border trade facilitation services (Ztrade) earlier in Jun 24 with China customs. **Two of the Ztrade services that will be deployed are:** a) recognition of COO, and b) recognition of Phytosanitary Certificate and other product certificates. Ztrade will offer two-way cross-border verification and exchange of digitised trade documents with China, and charge around RMB200/document. More importantly, Zetrix is currently integrating Ztrade into Malaysia's custom to form Malaysia's National Single Window which encompasses Malaysia's trade with other countries. We understand that Ztrade processed around 15,000 transactions per month from various freight forwarders in 1H25.
- **Putting numbers into the picture.** With the commercial launching of several new applications under Zetrix's blockchain, we anticipate more Zetrix token sales moving forward, alongside higher transaction fees and gas fees. We had previously assessed that Zetrix's blockchain services can produce an annual revenue of over RM650m via charging gas fees, service fees per credential/contract and annual fees upon optimal utilisation of Ztrade services. For 2024-25, we have also forecasted 4.5-5.0m Zetrix coin sales at an average price of US$12, which translates to a pre-tax profit of RM200-220m.

EARNINGS REVISION/RISK

- **Raised our 2025-27F earnings by 10-12%** to reflect better blockchain-related earnings contributions.

VALUATION/RECOMMENDATION

- **Maintain BUY with higher target price of RM1.52,** pegged to 14x 2025F PE (-0.5SD below mean).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

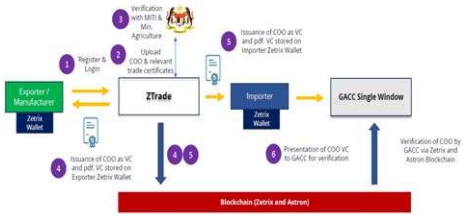
• **Environmental**
- MYEG's carbon footprint is limited to energy consumed in an office environment and does not impact biodiversity or climate change in any significant way.
• **Social**
- Subscribed to the United Nations International Bill of Human Rights. - Spent RM2.5m in community investment to support >50 charity groups in 2021.
• **Governance**
- Comprehended and applied Malaysian Code on Corporate Governance (MCCG).

PBT BY SEGMENT

	FY24	FY25F	FY26F
Core PBT Breakdown	**702.20**	**809.91**	**890.10**
Foreign Worker	179.11	184.94	185.18
Accommodation	2.83	2.89	2.95
Road Transportation	148.20	151.16	158.72
Others	14.93	15.08	15.23
Zetrix and World ID	329.56	455.85	528.03

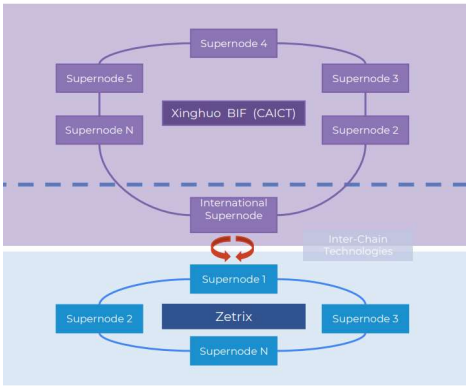
Source: UOB Kay Hian

ZTRADE'S PROCESS FLOW



Source: MYEG, UOB Kay Hian

ZETRIX'S STRUCTURE



Source: MYEG

ZETRIX'S PRODUCT ROADMAP

2Q22	- Launch of ZTX mainnet - Build and test the proof of concept iteratively with NFT marketplace and Covinsure dapps. - Developer SDK published - Develop operating models and governance
3Q22	- Achieve interoperability with other chains, i.e. Xinghuo, Ethereum, Polygon. - Launch of crosschain BID/VC with Xinghuo - Launch of ZTX token sale - Marketing of BID registration in all market ex China
4Q22	- Launch of crosschain NFT transfers with Xinghuo - Launch of Web 3 Domain Name Registry - Launch of Self Sovereign Identity usecase for both product and individual
1Q23	- Pilot of Cross border deep tier supply chain financing and traceability
2Q23	- Announced co-research of AI development with CAICT as part of initial inter-government blockchain research
4Q23	- IEO of Zetrix coins
3Q24	- Official rollout of cross-border blockchain trade facilitation services with China
2025F	- Rollout of My Digital ID Super App (JV with MIMOS)

Source: MYEG, various sources, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**1,017**	**1,199**	**1,290**	**1,365**
EBITDA	806	980	1,111	1,211
Deprec. & amort.	55	97	147	192
EBIT	751	883	963	1,019
Associate contributions	n.a.	n.a.	n.a.	n.a.
Net interest income/(expense)	(67)	(73)	(73)	(73)
Pre-tax profit	**684**	**810**	**890**	**946**
Tax	(4)	(5)	(5)	(6)
Minorities	(0)	1	(0)	1
Net profit	680	806	884	941
Net profit (adj.)	**680**	**806**	**884**	**941**

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	368	871	1,324	1,732
Other LT assets	2,444	2,438	2,440	2,442
Cash/ST investment	374	584	665	865
Other current assets	1,005	804	846	880
Total assets	**4,248**	**4,709**	**5,220**	**5,810**
ST debt	82	82	82	82
Other current liabilities	108	92	57	48
LT debt	1,183	1,183	1,183	1,183
Other LT liabilities	27	3	3	3
Shareholders' equity	2,851	3,415	4,034	4,693
Minority interest	(3)	(3)	(3)	(4)
Total liabilities & equity	**4,248**	**4,771**	**5,356**	**6,005**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**783**	**1,065**	**957**	**1,091**
Pre-tax profit	684	810	890	946
Tax	(4)	(5)	(5)	(6)
Deprec. & amort.	55	97	**147**	192
Associates	0	0	0	0
Working capital changes	29	163	(76)	(44)
Other operating cashflows	20	0	0	0
Investing	**(833)**	**(600)**	**(600)**	**(600)**
Capex (growth)	(662)	(600)	(600)	(600)
Investments	39	33	34	35
Proceeds from sale of assets	0	0	0	0
Others	(209)	(33)	(34)	(35)
Financing	**324**	**(254)**	**(276)**	**(291)**
Dividend payments	(144)	(242)	(265)	(282)
Issue of shares	58	0	0	0
Proceeds from borrowings	538	0	0	0
Loan repayment	(120)	(13)	(11)	(9)
Others/interest paid	50	0	0	0
Net cash inflow (outflow)	275	210	81	200
Beginning cash & cash equivalent	84	374	584	665
Changes due to forex impact	15	0	0	0
Ending cash & cash equivalent	**374**	**584**	**665**	**865**

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	79.3	81.7	86.1	88.7
Pre-tax margin	67.3	67.5	69.0	69.3
Net margin	66.9	67.2	68.6	68.9
ROA	18.2	18.0	17.8	17.1
ROE	26.8	25.7	23.7	21.6
Growth				
Turnover	31.3	17.9	7.6	5.9
EBITDA	37.6	21.6	13.3	9.1
Pre-tax profit	41.3	18.3	9.9	6.2
Net profit	40.5	18.5	9.7	6.4
Net profit (adj.)	40.5	18.5	9.7	6.4
EPS	40.5	18.5	9.7	6.4
Leverage				
Debt to total capital	30.7	27.0	23.9	21.2
Debt to equity	44.4	37.0	31.4	27.0
Net debt/(cash) to equity	31.2	19.9	14.9	8.5
Interest cover (x)	12.1	13.4	15.1	16.5